

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

VALASSIS NSA

Docket No. MC2012-14

Docket No. R2012-8

RESPONSE OF STAR TRIBUNE MEDIA COMPANY LLC TO NOTICE OF INQUIRY NO. 1

Star Tribune Media Company LLC ("Star Tribune") is a newspaper and media company located in Minneapolis, Minnesota that publishes the *Star Tribune* newspaper, the leading daily and Sunday newspaper in the Minneapolis / St. Paul metropolitan area. The Star Tribune also offers various print and digital products, including Twin Cities Values, a total market coverage periodical offered to non-subscribers ("TMC").

Star Tribune submits this declaration in support of NAA's Response to Notice of Inquiry No. 1.

Star Tribune is a privately held company, not part of a national chain. It serves its region by providing news and information that readers value, and its chief source of revenue comes from the sale of advertising. In this context, the ability to deliver pre-printed advertising either targeted to certain consumers or delivered to the entire market is key to the Star Tribune's ability to deliver news and information to the communities it serves. In 2011, preprints represented 41% of Star Tribune's total advertising revenue.¹

Among Star Tribune's competitors for the delivery of preprints in the Star Tribune's marketplace is Valassis, a national mailing company with revenues approximately 13 times the size of Star Tribune. The Star Tribune opposes the Valassis NSA because the application of the NSA as it relates to local and regional markets generally and to our market in particular, very clearly causes major and unreasonable harm to competition. It tilts the competitive playing field and dislocates the competitive marketplace by significantly favoring one national mailer over other mailers and by focusing this unfair rate structure on categories of revenue that are critical to regional competitors (and therefore "new" to the favored competitor, Valassis).

In our market, though, Valassis is more than a mailer, it also serves as an ad agency and places advertising with Star Tribune for some of our largest customers. In doing so, Valassis requests our advertising rates, including rates for durable and semi-durable goods. It is possible that Valassis can use those rates to entice our current customers to their new product, and/or use the advantage of the lower rates conferred by the NSA to fund lower rates on its current products. In stacking the deck in favor of this large national mailer, the Postal Service confers a significant unfair competitive advantage on one competitor over all others.

¹ This statement corrects a number originally communicated in Star Tribune's May 22, 2012 submission.

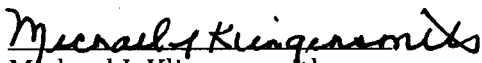
To combat this unfair advantage, the Star Tribune, which would prefer to mail its TMC, will have to find a way to deliver it at a lower cost. An inevitable loss of postal revenue will occur as disfavored competitors such as the Star Tribune in market after market are forced to take their business elsewhere to stay competitive in their markets.

Response To Questions

1. For fiscal year 2010, we estimate that advertising preprints for durable and semi-durable goods from national retailers whom we believe operate in at least 30 states represented 14% of total advertising revenues (including run of press, classified, and digital advertising), 16% of total print advertising revenue, and 36% of total preprint advertising revenue.²
2. For fiscal year 2011, we estimate that advertising preprints for durable and semi-durable goods from national retailers whom we believe operate in at least 30 states represented 15% of total advertising revenues (including run of press, classified, and digital advertising), 17% of total print advertising revenue, and 37% of total preprint advertising revenue.
3. In fiscal years 2010 and 2011, our TMC was distributed by the US Postal service.
4. For fiscal year 2010, we estimate that we mailed 32 million TMC advertising mail packages for which we paid the Postal Service \$6.1 million.
5. For fiscal year 2011, we estimate that we mailed 29 million TMC advertising mail packages for which we paid the Postal Service \$5.7 million; approximately 11 million of these TMC advertising mail packages included preprints for durable and semi-durable goods from national retailers whom we believe operate in at least 30 states via the Postal Service.
6. Star Tribune estimates that the Postal Service could lose \$5.7 million from the 2011 TMC postage level if the Valassis NSA is approved, because Star Tribune will consider, and is currently testing, alternate delivery methods for its overall TMC program – not just for those pieces displaying durable and semi-durable goods from national advertisers whom we believe operate in 30 or more states.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on June 28, 2012


Michael J. Klingensmith
Publisher and CEO

² Star Tribune does not define national advertising the way this NSA does, nor does it track the category “durable and semi-durable goods”. In this declaration at paragraphs 1, 2, 5, and 6, we have tried to use the 30 state definition. This leaves out revenue from other advertisers who place preprinted advertising durable or semi-durable goods that Star Tribune normally defines as national advertisers.